

Imasco Limited

Revised March 27, 1986 (IC)
 Destroy all previous Basic and White
 cards on this Company

CUSIP Number 452451
 Stock Symbol IMS

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THE COMPANY is a diversified enterprise with operations in Canada and the United States, and is principally engaged in the manufacture and distribution of a complete range of tobacco products. The company also licenses and operates a system of fast food restaurants principally in the U.S. and several chains of drug stores, operates retail outlets for the sale of tobacco and gift items in Canada and the U.S., and through a division, explores investment opportunities in natural resources and venture capital fields.

COMPARATIVE DATA									
Fiscal Year	Total Assets	L-term Debt	Shldrs.' Equity	Total Revenue	Net Inc. Oper.	Earns. Per Sh.	Divds. Paid	Price Range\$ High Low	
	000's						Common†		
	\$	\$	\$	\$	\$	\$	\$	\$	\$
1985....	2,741,572	608,434	1,325,781	4,353,254	234,108	2.25	0.645	28.25	17.38
1984....	2,029,897	519,906	988,021	2,873,151	194,172	2.03	0.500	18.13	14.94
1983....	1,530,063	272,018	823,161	2,713,901	156,763	1.74	0.400	18.75	9.00
1982....	1,315,117	321,556	593,870	2,190,756	124,176	1.39	0.350	11.13	7.38
1981....	1,086,363	212,031	512,348	1,423,707	89,550	1.07	0.300	9.56	5.31

† Adjusted throughout for 2-for-1 stock splits, Mar. 22, 1985 and Nov. 23, 1982. \$Fiscal year.

CONSOLIDATED CAPITALIZATION AS AT MARCH 31, 1985			
	Outstanding		%
Long-term debt	\$608,434,000		32
6% Preference stock	1,191,888 shs.	5,800,000	..
Common stock	108,898,364 shs.	447,645,000	23
Unrealized foreign exchange gain		27,834,000	1
Retained earnings		844,502,000	44

SUMMARY STATEMENT

For the nine months ended Dec. 31, 1985, net income increased 15% to \$210,365,000, or \$1.93 per share from \$182,917,000 or \$1.78 per share in the corresponding period of 1984. Per share results have been adjusted to reflect the 2-for-1 stock split on Mar. 22, 1985. Revenues rose 23% to \$4,042,598,000 from \$3,285,645,000. (For details, see Interim Report.)

Dividends were increased to 84 cents per share per annum with the quarterly payment on Mar. 31, 1986. Previously the dividend rate was 72 cents per annum.

For the year ended Mar. 31, 1985, income increased 21% on a 52% increase in revenues. Revenues from tobacco operations gained 7% over fiscal 1984 and restaurant revenues increased 16%. Shoppers Drug Mart reported a 13% rise in revenues. In fiscal 1984, extraordinary items increased net income by \$10,908,000 to \$205,080,000. There were no extraordinary items in fiscal 1985. However, results for Peoples Drug Stores were included for the first time in fiscal 1985, having been consolidated, effective April 1, 1984.

Recent acquisitions include the purchase of all the outstanding common shares and 8% convertible subordinated debentures of Peoples Drug Stores in March and April, 1984 for \$398,387,000. In December, 1984, the company, through Peoples, acquired all of the outstanding shares of Rea and Derick, Inc. for \$114,200,000. Also in fiscal 1985, the restaurant operations were increased by the purchase of Grisanti, Inc. for \$9,273,000. In August and September, 1985, the company sold its investment in Canada Northwest Energy Limited to TransAlta Resources Corporation for total consideration of \$57,874,000. In November, 1985, the company sold its Tinder Box International Ltd. operations for an undisclosed amount.

N.B. — For quick reference data, see page 2.

The Financial Post

INFORMATION SERVICE

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HOWARD ROSS
 OF MANAGEMENT

APR 21 1986

MCGILL UNIVERSITY

QUICK REFERENCE DATA

Major Shareholder—In April, 1985, B.A.T. Industries p.l.c. of London, England held 44.1% and 23.1% of the outstanding common and preferred shares, respectively, of the company.

Employees—As at March 31, 1985, there were 19,929 employees.

Incorporation—Dominion charter, April 3, 1912; continuance August 6, 1976.

Auditors—Deloitte Haskins + Sells, C.A., Montreal.

Fiscal Year Ends—March 31.

Annual Report Appeared—In June in 1985.

Annual Meeting Date—June 27 in 1985.

Bankers—The Royal Bank of Canada, Canadian Imperial Bank of Commerce, First National Bank of Chicago, First Union National Bank, Charlotte, N.C., Morgan Guaranty Trust Company of New York, Toronto Dominion Bank and Continental Bank of Canada.

Listed—IMS, Toronto, Montreal, and Vancouver Stock Exchanges.

Shareholders—As at September 30, 1984, there were 574 6% preference and 16,319 common shareholders.

Transfer Agent & Registrar—Montreal Trust Company, Halifax, Toronto, Regina, Calgary, Winnipeg, Vancouver and Montreal.

FP 500 Ranking—41 by sales; 48 by assets.

COMPANY

The company is Canada's largest tobacco company, manufacturing and distributing a complete range of tobacco products. Other operations include the licensing and operation of a chain of pharmacies specializing in prescription drugs, over-the-counter medications, health and beauty aids and cosmetics, principally in Canada, the operation and licensing of franchised fast food restaurants, primarily in the U.S., and the operation of a chain of drug stores in the U.S. In addition, the company has a division engaged in investments in natural resources and venture capital fields.

REVENUE

Revenues by industry segment for the past two fiscal years have been as follows:

	1985		1984	
	\$000's	%	\$000's	%
Tobacco	1,451,130	33	1,358,935	47
Restaurant	1,321,248	30	1,134,074	39
Peoples Drug Stores	1,356,915	31	.....	..
Shoppers Drug Mart	68,492	2	60,707	2
Other	199,338	5	195,524	7
Divested opers. ....	.....	..	170,922	6
Less: Inter-seg. elim.*	43,869	(1)	47,081	(1)
	4,353,254	100	2,873,151	100

*Inter-segment transactions consist of sales from Imperial Tobacco to the UCS Group at normal wholesale selling prices.

EARNINGS

Operating earnings before corporate expenses, interest expense, income taxes and extraordinary items, by industry segment for the past two fiscal years have been as follows:

	1985		1984	
	\$000's	%	\$000's	%
Tobacco	224,024	52	205,209	60
Restaurant	108,289	25	92,259	27
Peoples Drug Stores	55,307	13	.....	..
Shoppers Drug Mart	38,283	9	32,632	10
Other	6,129	1	5,272	2
Divested opers. ....	.....	..	4,236	1
	432,032	100	339,608	100

OPERATIONS

Operations are carried out by the four main divisions, Imperial Tobacco, Imasco USA, Shoppers Drug Mart and Peoples Drug Stores. Other operations include Imasco Resources division and the UCS Group. Operations are as follows:

Imperial Tobacco Division:

Through Imperial Tobacco Limited, the company manufactures and distributes a complete range of tobacco products, including cigarettes, fine cut tobaccos and chewing tobaccos, and markets snuff. Based in Montreal, Imperial Tobacco Limited is Canada's largest tobacco company.

A company division, Imperial Leaf Tobacco, based in Aylmer, Ont., purchases and processes leaf tobacco for Imperial Tobacco, and for export.

Tobacco production and packaging facilities are located in Quebec and Montreal, Que. and in Guelph, Ont., while leaf processing facilities are located in Joliette, Que. and Aylmer, Ont. These plants aggregate approximately 2.4 million sq. ft. and are owned by the company. Promotion and distribution of products to wholesalers are carried out through a Canada-wide sales staff operating out of sales offices and warehouses located in Moncton, Montreal, Ottawa, Toronto, Winnipeg, Calgary and Vancouver having a total of approximately 207,000 sq. ft., over half of which is owned by the company.

Leaf tobacco used in Canadian cigarettes is virtually all grown domestically. The 1984 Canadian flue-cured tobacco crop amounted to 89,000 metric tonnes and was sold at an average price of \$3.75 per kilogram. Imperial Leaf Tobacco purchased 38,000 tonnes of which 9,000 tonnes were exported.

Best known products distributed by the Imperial Tobacco division include the following brand names:

Cigarettes—Player's, Player's Light, Player's Extra Light, Player's Filter, Player's Special Blend, Player's Special Blend Light, Sweet Caporal, Buckingham, Pall Mall, Philip Morris, Cameo, Cameo Extra Mild, Matinée, Matinée Extra Mild, Matinée Special Filter, Matinée Slims, Cambridge, Lucky Strike, Sterling, Century, Chesterfield, Medallion, du Maurier, du Maurier Light, du Maurier Special Mild, du Maurier Avanti, Viceroy, John Player Special, Kool, Peter Jackson, Peter Jackson Extra Light, Marlboro and Turret.

Cigars—Old Port, House of Lords, White Owl, Marguerite, Henry Winterman, Reas, Colts, Colts Mild, Columbia, Daily Double, La Palina, Peg Top, Punch, Ricardo and Tiparillo.

Pipe Tobacco—Old Port, Old Chum, Picobac, Old Virginia, Sir Walter Raleigh, Borkum Riff, Comfort, Hollandia, MacBaren, Alouette, Cavendish and Skandi.

Fine Cut Tobacco—Cameo, Embassy, Matinée, Matinée Extra Mild, Peter Jackson, Player's, Player's Light Fine Cut, Player's Extra Light, Player's Special Blend, Sweet Caporal, Vogue and Turret.

Other—Products include Copenhagen, Happy Days and Skoal snuff; Hi-Dro and Vogue cigarette papers; Club Chewing Tobacco, Stag Chewing Tobacco, and Embassy and Player's cigarette tubes.

The division also manufactures and sells tobacco processing machinery designed by Imperial Tobacco and used in the industry in many countries.

Imperial Tobacco also sponsors and supports some of the most important sporting and cultural events in Canada. The events include the Canadian Open Golf Championship; the Player's International tennis tournament for men; the Players' Challenge tennis championship for women; the Du Maurier Classic women's golf championship; the Du Maurier Champions Golf Tournament; the Du Maurier International Equestrian Masters; Du Maurier Cup-Equestrian Event; Player's Trois Rivières-Car Racing; Player's Quebec-Car Racing.

Wholly-owned, General Cigar Company Limited of Montreal, manufactures and distributes cigars. These cigars are exported by Imperial Tobacco to some 30 countries.

Shoppers Drug Mart Division

Shoppers Drug Mart licenses and operates a chain of 447 pharmacies, principally in Canada, specializing in prescription drugs, over-the-counter medications, health and beauty aids and cosmetics. Shoppers Drug Mart pharmacies (Pharmaprix in Quebec) are operated in all Canadian provinces and the Yukon and in the states of Florida and Washington in the United States. At Mar. 31, 1985 there were 377 Shoppers Drug Mart stores in Canada, 31 in the State of Florida, 37 Pharmaprix stores in Quebec and two deep-discount operations in Toronto, Ont.

Under the Shoppers Drug Mart system, each drug store is owned and operated by a licensed pharmacist or "Associate" who, in return for the payment of an annual licensing fee, has access to a variety of services to improve sales and profitability. Shoppers Drug Mart stores have an average of 6,500 square feet of selling space.

Products sold by Shoppers Drug Mart include prescription drugs, over-the-counter preparations, vitamins, cosmetics, health and beauty aids, confectionery, film, household products, stationery supplies and paper products. Approximately 550 packaged products are marketed under the Life Brand, Shoppers Drug Mart and Pharmaprix labels. A total of 44 generic or no-name products are available under the Red Saver/Econorange brands and are backed by an unconditional money-back guarantee.

A new off-price drug store, "Howie's—More Than a Drug Store", was introduced in Toronto in April, 1984. This store is company-owned rather than franchised and is more than twice the size of the traditional Shoppers Drug Mart Store. It offers a broader product mix, including hardware, a limited range of soft goods, auto accessories, toys and trial sizes.

At Mar. 31, 1985 there were two Howie's outlets in Toronto and two similar Pharmaprix Carnaval outlets in Montreal.

In addition to operating drug stores, Shoppers operates five health care centres in Ontario which sell and rent convalescent aids. Shoppers also supplies beds to nursing homes in various Canadian communities, provides patient counselling and offers advice to consumers regarding over-the-counter pharmaceutical products.

Shoppers publishes every two weeks, a flyer called "The Money Saver" ("Econochois" in Quebec) with a circulation of seven million, and is the exclusive distributor for a women's magazine called "Images", published six times a year.

Imasco USA Division (Restaurants)

Imasco USA operates and licenses a system of 2,411 fast food restaurants, principally under the name Hardee's, in the United States.

Imasco's principal operating subsidiary is Hardee's Food Systems, Inc. Hardee's is principally engaged in the developing, servicing, supplying, operating and li-

censing of a system of limited-menu counter and drive-through fast food restaurants located in 41 states in the United States, mainly in the southeastern, mid-Atlantic and mid-western states, and in nine foreign countries in the Middle East, Central America and the Orient.

At Mar. 31, 1985, the Hardee's system consisted of 2,358 restaurants of which 866 were company-owned and the remaining 1,492 were owned and operated by licensees.

Subsidiary, Fast Food Merchandisers, Inc. manufactures, packages and distributes the products used by Hardee's restaurants. These food products are also sold to wholesalers and retailers under private brand labels. Fast Food Merchandisers' manufacturing division consists of three manufacturing plants located in Rocky Mount, N.C., Forest City, N.C. and Monterey, Tenn. with combined manufacturing space of over 300,000 sq. ft. FFM's distribution division comprises nine regional centres located in primary U.S. markets. Weekly deliveries of frozen foods and supplies are made from these centres to each Hardee's restaurant, via FFM's fleet of 100 refrigerated trucks in the U.S. and by ship, from distribution centres in North Carolina and Florida, to Hardee's restaurants overseas. Approximately 250 food products and supplies are handled through Fast Food Merchandisers' distribution network.

Burger Chef Systems, Inc. operates a chain of 146 fast-service family restaurants across the U.S., all under franchise. During fiscal 1984, the 81 remaining company-owned Burger Chef's and 123 franchised outlets were converted to Hardee's and 37 others were either closed or became independent. In fiscal 1985, 33 additional restaurants are expected to convert and 52 are expected to close or become independent, leaving 61 franchised Burger Chef restaurants in operation.

In addition, the company's Specialty Food Service division operates 26 company-owned and nine franchised dining facilities on college campuses and on inter-state turnpikes.

Grisanti, Inc. of Louisville, Kentucky operates two restaurants, Casa Grisanti and Sixth Avenue, as well as the Mamma Grisanti family restaurant chain.

Peoples Drug Stores

Peoples Drug Stores, Incorporated, based in Alexandria, Va., and acquired by the company effective Apr. 1, 1984, operates a chain of 765 drug stores in 14 states in the United States and in Washington, D.C. More than half of the Peoples stores are located in or near the following major American metropolitan markets: Washington, D.C.; Atlanta, Ga.; Indianapolis, Ind.; Tidewater, Norfolk, and Newport News, Va.; Harrisburg, York and Lancaster, Penn.; and Toledo, Ohio. In each of these areas, Peoples ranks first or second in the marketplace.

Peoples operates under its own name and under the trade names Haag, Lane, Reed, Lee and Health Mart. With the exception of the Health Mart stores, all include a pharmacy and have a registered pharmacist on staff. Though Peoples stores are primarily engaged in the sale of prescription drugs and the provision of health care services, advice and information, retail products such as film, greeting cards, proprietary drugs, toiletries, basic food items, home/office supplies, vitamins, nutritional products and telephones are also sold. More than 600 products are available under private label brands. Health Mart Stores are smaller outlets located in downtown business areas and are engaged primarily in the sale of discounted health and beauty aids and some general merchandise. Under a name-change program currently in effect, all stores in the drug store chain will eventually be converted to the Peoples name and product mix.

Peoples operates six distribution centres located in Indianapolis, Ind., Alexandria and Richmond, Va., Atlanta, Ga., Toledo, Ohio and Uniontown, Pa. Construction of a new distribution facility near Fredericksburg, Va. is scheduled to commence in late 1985.

Two SMILES stores were opened, on an experimen-

tal basis, in Ohio in 1983. Two more were opened in fiscal 1985. SMILES outlets are smaller (approximately 3,000 sq. ft.) and sell an assortment of greeting cards, high quality bulk and bagged candy and select gift-ware items.

Subsidiary, B. H. Krueger, of Fairlawn, N.J., manufactures and contract-packages fragrances, powders and lotions for national accounts and private labels. Another Peoples subsidiary, Hillcrest Sales, of Clinton, Md., is a wholesaler and rack jobber servicing retail stores while Loss Prevention Electronics, Inc. of Alexandria, Va., markets security hardware systems to retailers.

Peoples operates a free-standing optical shop and laboratory in Alexandria, Va. and 56 in-store optical centres. Home health care centres are operated in metropolitan Washington, D.C., Richmond, Va., and Norfolk, Va. These centres provide durable medical equipment and hospital-type supplies for rent or for sale.

People's first experimental deep discount unit, BUD's, was opened in November, 1984. The operations are based on mass merchandising of high volume health and beauty products.

Portions of two Peoples' stores were converted to Hardee's restaurants in fiscal 1985.

In fiscal 1985, Peoples acquired the 134-store Rea and Derick chain, based primarily in Pennsylvania. The stores are to be converted to the Peoples' format.

Imasco Resources Division

Imasco Resources explores investment opportunities in natural resources and venture capital fields.

Imasco has funds invested in two partnership agreements with Flame Oil & Gas Ltd. of Calgary. Under the first agreement, the company has committed approximately \$5 million to an oil and gas exploration program. Under the second, Imasco has agreed to invest up to an additional \$30 million in oil and gas exploration over three years, \$985,000 of which was invested as at Mar. 31, 1984.

In August and September, 1985, the company's investment in Canada Northwest Energy Limited was sold for \$57,874,000.

Other Retail Operations

The UCS Group—The UCS Group operates a chain of 455 retail tobacco and gift shops, in all Canadian provinces and in the Yukon under the names of United Cigar Store, UCS, Den for Men, Inclination, Lamplighter, Cavalier, Gentillesse and Au Masculin. It also operates 158 Smoke Shops in Woolco/Woolworth and Woolco department stores.

Tobacco accounts for 60% of the group's sales. Other products sold by the UCS Group include confectionery, magazines and newspapers, china and giftware, souvenirs and greeting cards. Den for Men/Au Masculin Shops, of which there are 38, specialize in the sale of quality goods for men.

The UCS Group is the largest Canadian retailer of non-food convenience items. Approximately 2,500 different products are sold by the group. UCS Group stores are usually small in terms of retail selling space; 95 of the group's stores are located in airports and hotels. Another 164 of these convenience item shops are operated in other high traffic locations.

CAPITAL EXPENDITURES

Additions to fixed assets during recent fiscal years have been as follows:

1976	\$12,749,000	1981	\$53,686,000
1977	17,118,000	1982	106,705,000
1978	17,170,000	1983	114,675,000
1979	31,055,000	1984	104,074,000
1980	37,102,000	1985	202,078,000

Capital expenditures by industry segment for the past two fiscal years have been as follows:

	1985		1984	
	\$000's	%	\$000's	%
Tobacco	19,900	10	12,989	13
Restaurant	119,613	59	72,077	69
Peoples Drug				
Stores	46,978	23		
Shoppers Drug				
Mart	10,868	6	11,456	11
Other	4,719	2	5,542	5
Divested oper.			2,010	2
	202,078	100	104,074	100

Capital expenditures were 94% higher in fiscal 1985 than in fiscal 1984. The capital expenditures by tobacco operations rose 53%. Imperial Tobacco's major expenditures were the improvement of manufacturing productivity with emphasis placed on packaging and production. Expenditures by Imperial Tobacco are expected to decline in fiscal 1986 because the major part of the modernization was completed. Capital expenditures by restaurant operations increased 66% reflecting the significant increase in the number of company-owned outlets relative to fiscal 1984. During fiscal 1985, the company opened 61 Hardee's and 227 franchises, including the conversion of 28 Burger Chef's to the Hardee format. Capital expenditures by restaurant operations are expected to be lower in fiscal 1986. Capital expenditures by the Shoppers Drug Mart operations fell 5% in fiscal 1985. In Canada, 12 stores were opened, in addition to one combined drug and convenience store. Also opened during the year were deep discount stores, two of which were named "Howie's, More than a Drug Store" and the other two opened under the name of Pharmaprix Carnaval. The newly-acquired Peoples Drug Stores operations began construction of a distribution centre in Fredericksburg, Virginia. The new facility will offer 350,000 square feet of storage area and 150,000 square feet of mezzanine. During fiscal 1985, Peoples opened 36 new drug stores and two card and gift shops. Portions of two stores were converted into Hardee's restaurants. Capital expenditures are expected to increase in fiscal 1986 because Peoples intends to remodel its recently acquired Rea and Derick drug store chain.

ACCOUNTING CHANGE

Fiscal 1984—Effective Apr. 1, 1983, the company adopted, prospectively, the recommendations of the CICA with respect to foreign currency translation.

Had the new recommendations been applied retroactively, there would have been no material effect on opening retained earnings for 1983. Earnings before extraordinary items would have been higher by approximately \$900,000 had the previously-used method been continued.

HISTORY

The company was incorporated as Imperial Tobacco Company of Canada Limited, under Dominion charter on Apr. 3, 1912 (continuation under the Canada Business Corporations Act by Certificate of Continuance issued Aug. 6, 1976), to acquire as a going concern, a company of the same name formed in 1908 as a merger of the Empire Tobacco Co. Ltd., operating at Granby, Que., and the American Tobacco, Ltd., whose assets included either total or majority share interests in The B. Houde Company and the Joliette Tobacco Company. Previously, the American Tobacco Company of Canada, Limited, was formed in 1905 to acquire the American Cigarette Company and the D. Ritchie Company, which had commenced tobacco manufacturing operations in Montreal in 1885.

On July 7, 1921, shareholders approved the pur-

chase of certain trade names, trademarks and brands with the goodwill attaching thereto from the British American Tobacco Co., Ltd., for \$2,000,000; purchase of 2,100 ordinary and 210 preference shares of Scales and Roberts, Ltd., and 3,000 ordinary and 200 preference shares of The H. Fortier Co., Ltd., for \$437,004; and 9,690 ordinary and 1,938 preference shares of General Cigar Co., Ltd., for \$193,800.

In May, 1930, the company made an offer to common shareholders of The Tuckett Tobacco Company, Ltd., of 30 ordinary shares of Imperial Tobacco for each common share of Tuckett. By this means, 11,628 common shares were acquired. The company, having earlier purchased 13,372 shares, then owned all the common stock of Tuckett.

During 1930 the company purchased the minority interest in the common and preferred stock of General Cigar Company Ltd., and subsequently increased its interest to 100%.

During 1932, company incorporated two new wholly-owned subsidiaries, namely, Imperial Tobacco Sales Company of Canada, Limited, and Imperial Leaf Tobacco Company of Canada, Limited, and transferred certain assets of these subsidiaries.

In 1936 S.L.P. were taken out by a number of the company's subsidiaries changing them from public to private companies. The list included United Cigar Stores Ltd., Empire Tobacco Co., American Tobacco Co. of Canada, Dominion Tobacco Co., Andrew Wilson and Co., Scales and Roberts Ltd., and H. Fortier Co.

Under an agreement dated Feb. 25, 1946, the company sold to Hudson's Bay Co. all the outstanding shares in the capital of Scales & Roberts, a subsidiary located in Toronto. The company also purchased from Hudson's Bay Co. all of the outstanding shares of Landau & Cormack Limited, a firm engaged in the manufacture and sale of tobacco products.

The company in 1948 made an offer to acquire as a going concern the business and assets of Imperial Tobacco Company (Newfoundland) Limited, anticipating Newfoundland becoming a province of Canada. Under the offer, Imperial Tobacco Company of Canada acquired the assets and assumed the liabilities of the Newfoundland company for a consideration of \$76,125 cash and 180,000 fully paid ordinary shares to be distributed to the Newfoundland company's ordinary shareholders in the ratio of five shares for each ordinary share of the Newfoundland company. The cash consideration was required to pay off the Newfoundland company's preference shares.

Under an agreement dated Feb. 8, 1950, the company acquired the business and goodwill, including all trademarks, trade names and brands, in Canada, of Brown & Williamson Tobacco Corporation (Export) Limited, for a consideration of \$1,875 cash and 7,500 common shares issued to British-American Tobacco Co. Ltd. as vendor.

Through an offer to purchase in November, 1956, the company acquired all of the 20,000 outstanding preferred shares of Tuckett at \$155 per share.

In 1964, the operations of Tuckett and Peter Jackson Tobacco Sales Limited were brought together. Substantial investments were made or arranged for in the common shares of Canada Foils, Ltd., Growers' Wine Company Ltd. and Welland Winery Ltd.

In 1965, a wholly-owned subsidiary, ConPack Limited, offered to purchase all outstanding class A and common shares of Canada Foils. By March, 1966, ConPack held 98% of the class A and over 99% of the common shares.

By S.L.P. dated Apr. 15, 1966, the company's name was changed to Imperial Tobacco Company of Canada Limited—Imperial Tobacco du Canada Limitée.

During 1967, a wholly-owned subsidiary, Innotron International Limited, was formed to investigate diversification possibilities in non-tobacco fields and to act as a holding and operating company for new concerns or product lines acquired.

Acquisition of Simtel Incorporated and Editel Productions Ltd., both operative in Montreal, was effected in the first half of 1968.

In early 1969, the company entered the U.S. food

production and marketing industry with two acquisitions made through subsidiary Innotron International. Effective Jan. 3, 1969, S & W Fine Foods Inc. of San Francisco, Cal. was purchased from the Di Giorgio Corp. for US\$21 million plus an option for purchase of 375,000 shares of Innotron stock. Effective Apr. 1, 1969, Uddo & Taormina Corp. of New Jersey was acquired at a cost of US\$30 million and an option to purchase 625,000 Innotron shares.

On Mar. 31, 1969, the company sold all the shares of its subsidiary, Con-Pack Limited (which owned 99% of Canada Foils) to Aluminum Company of Canada, Limited for approximately \$18 million.

On Aug. 31, 1969, the company, through its wholly-owned subsidiary, Innotron International, purchased all outstanding shares of Pasquale Bros. Limited, a Toronto-based food distributing company. The name of this company was changed to Unico Foods Limited effective Nov. 13, 1973.

Effective Jan. 6, 1970, the company sold the assets and business at Beau Châtel Wines Ltd. (formerly Welland Winery Ltd.) to Andrés Wines (Canada) Ltd. for \$1.1 million.

In 1970, the name of wholly owned subsidiary, Uddo & Taormina Corp., was changed to Progreso Foods Corp.

By S.L.P. dated Sept. 18, 1970, the name of the company was changed from Imperial Tobacco Company of Canada Limited to its present form, Imasco Limited.

In May, 1971, through United Cigar Stores, the company acquired Amco Services Ltd. (formerly Amco Services (Canada) Ltd.) of Vancouver, an automatic vending machine company. Subsequently, Amco acquired Advance Vending Limited, B.C., Link Vending Services Limited, Alberta, and Karys Vending Limited and Nathan Davis Vending Limited of Ontario.

In November, 1971, the company made an offer to acquire the remaining 36% interest not already held in Growers' Wine of Victoria, B.C., on the basis of \$4 for each class A share and \$3.75 for each class B share of Growers'. At Mar. 17, 1972, when the offer expired, the company held 94% of the class A and 97% of the class B stock and subsequently acquired the remaining shares through the provisions of the Companies Act of British Columbia.

In December, 1971, the Imasco associated products division acquired the Canadian distributorship for the wines of Caves Aliança—Vinicola de Sanghalos, S.A.R.L., Portugal.

In March, 1972, the company purchased controlling interest in Chalet Wines Limited of Calgary.

In mid-1972, the company made an offer to acquire all of the outstanding stock of Grissol Foods Limited on the basis of \$11 for each common share and 50 cents for each preference share. By Mar. 31, 1973, over 99% of both the common and preference stock of Grissol Foods had been acquired by the company.

During 1972, the Imasco associated products division purchased a controlling interest in Marché aux Escomptes S & M Ltée, a Quebec operator of discount health and beauty aid stores, acquired Picadilly Place Enterprises, a tobacco retailer in Vancouver and Collegiate Sports Ltd. (formerly Collegiate Sports (Wholesale) Co. Ltd.), and expanded automatic vending operations with the acquisition of Eze Brew Coffee Service Limited of Vancouver and the purchase of the assets of Laniel Automat Inc. of St. Laurent, Que., Burns Catering Services Ltd. and Burns Vending Services Ltd. of Montreal and of Musicraft Ltd. of Weston, Ont. Imasco Associated Products, Inc. was formed in 1972 to extend tobacco retailing operations into the United States.

Effective Feb. 1, 1973 the company sold all its wine interests consisting of Growers' Wine and controlling interests in Chalet Wines and P. G. Thornley Company of Canada Limited for approximately \$10,500,000.

In 1973, the Imasco associated products division acquired all outstanding shares of Arlington Sports Limited, with sporting goods outlets in the Montreal area; the assets of Harry B. Kennedy Ltd.; the operations of Top Drug Mart Limited and Top Value Discount

Stores Limited in Ontario; Turnpike Cigar Stores, Inc., a chain of smokeships in the New York-New Jersey area; The Tinder Box International, Ltd., which operates retail tobacco shops in the U.S.; Hopedale Pharmacy Ltd.; Red Carpet Coffee Service Ltd. and Red Carpet Coffee Service (Manitoba) Ltd. operating office coffee services in Toronto and Winnipeg, respectively and Executive Coffee Service Ltd., in Vancouver; and Ski Oberon Boutique Inc., a Quebec sporting goods retailer.

Food operations were expanded in 1973 through the acquisition of the assets of Rancho Francisco, Inc., which include patents and trademarks on a line of Mexican food products, and through the purchase of Toltec Foods, Inc., a large producer of tortilla products in the U.S.

In 1974, the company acquired Healthmart Drugs Ltd., of Toronto.

In fiscal 1975-76, the company established Piccadilly Place, Inc. to operate hotel tobacco and gift shops in the U.S., and Pinata Foods, Inc., for the manufacture of Mexican foods.

In April, 1976, the company acquired Topmost Foods. In October, 1976, subsidiary Grissol Foods (1975) Limited acquired Biscuits Montmagny Inc., and Henri & Fils, Inc., both of Montmagny.

On Nov. 1, 1976, the company acquired 20% of the common and preferred shares of PoP Shoppes of America, Inc., for \$3,200,000.

In fiscal 1977, the company disposed of Editel, Inc. and Amco Services division of United Cigar Stores Limited for a net gain after income taxes of \$294,000.

In April, 1977, the company purchased 1.2 million shares of 4% convertible cumulative preferred stock at \$12.50 per share of Hardee's Food Systems, Inc. for a total consideration of \$15 million. The preferred shares of Hardee were converted into common shares on a share for share basis in early 1980.

In October, 1977, the company sold S and W Fine Foods and Pinata Foods, Inc. to Standard Brands Incorporated for approximately US\$37,000,000.

In early 1978, the company made a formal offer to the shareholders of Koffler Stores Limited. FIRA approval was subsequently given and the offer expired May 31, 1978.

Under the offer, all outstanding class A and class B common shares of Koffler Stores Limited were purchased on the basis of a cash payment of \$55 plus one \$35 stated value redeemable, convertible preference share, series A, for any combination of 10 class A or B shares of Koffler. The offer resulted in the deposit of approximately 99% of Koffler's shares and the company acquired the remainder of the common shares by invoking the Canada Business Corporations Act.

During the first half of 1978, the company acquired all the outstanding second preference shares of Koffler at \$9 per share. Koffler's first preference shares, series A, were called for redemption on Sept. 15, 1978.

In October 1978, the company increased its interest in PoP Shoppes of America Inc. to 48% through the conversion of a US\$7,000,000 debenture. In 1980, the PoP Shoppes of America Inc. interest was converted into preference shares of its parent company, PoP Shoppes International Inc. These preference shares were to be redeemed by PoP Shoppes International over the period from 1982 to 1989, thereby eliminating Imasco's interest in both companies.

In early 1979, the company sold its Progresso Foods division to Tillie Lewis Foods Inc., a subsidiary of Ogden Corporation, New York, for approximately US\$35,000,000.

In fiscal 1980, the company increased its interest in Hardee's Food Systems to 44%, acquired the remaining 50% interest in Pharmaprix Stores and reached agreement in principle to acquire leases of The Outdoor Stores, Lido Biscuit Cie Limitée, and the Canadian operations of Anco International Corporation, manufacturer and distributor of cheese, and La Fromagerie de Corneville Inc. All acquisitions received approval from FIRA subsequent to the fiscal 1980 year end.

During fiscal 1981, a reorganization in the company's food division resulted in subsidiary name changes for Imasco Foods Limited, Grissol Foods Limited, Biscuits Montmagny Inc. and Unico Foods Limited to Imasco Foods (1980) Limited, Grissol Foods (1980) Limited, Biscuits Montmagny (1980) Inc. and Unico Foods (1980) Limited, respectively.

On Jan. 29, 1981, the company acquired the remaining interest in Hardee's Food Systems, Inc. for US\$78,803,000. Also in early 1981, acquisition proceedings to purchase a 70% interest in Colacut Lugage Shops Ltd. were terminated and in July, 1981 the company sold its holding of preference shares of PoP Shoppes International Inc. to Venturetek International Inc.

In January of 1982, Hardee's Holdings Inc. was incorporated to hold the company's restaurant investments.

Acquisition of the seven-store chain of Cavalier China and Gift Shops in Calgary, was completed in April, 1982.

On March 10, 1982, the company acquired all outstanding shares of Burger Chef Systems, Inc. for \$52,879,000 (US\$43,500,000).

On Sept. 12, 1982, the company entered into a partnership agreement with Flame Oil & Gas Ltd., a private company based in Calgary. The partnership is engaged in exploration activities in Canada and the U.S.

A reorganization in fiscal 1983 resulted in name changes from Imasco Foods (1980) Limited to Imasco Foods Limited and from Hardee's Holdings Inc. to Imasco U.S.A. Inc. Also, the Imasco Resources division was set up early in the year to manage the company's investments in the energy and venture capital fields.

As at Mar. 31, 1983, the company acquired the assets of the Ingersoll Cheese division of Nestlé Enterprises Limited for \$7,000,000.

On Nov. 30, 1983, the company sold Imasco Foods Limited to Culinar Inc. of Montreal for approximately \$85 million.

Also during fiscal 1983, the company sold Embassy Cleaners for cash of \$8 million and sold the operations of Collegiate/Arlington Sports for cash and notes of \$18 million.

Under an extended offer to acquire all of the outstanding common shares and 8 3/4% convertible debentures of Peoples Drug Stores, Incorporated of Alexandria, Va., at US\$34 per share and US\$1,700 per US\$1,000 principal amount of debentures, which expired Apr. 10, 1984, the company acquired 96.2% of the outstanding common shares and 99.3% of the outstanding 8 3/4% convertible debentures. Peoples called for the redemption, on May 10, 1984, of all remaining outstanding 8 3/4% debentures at US\$1,078.75 plus US\$24.06 accrued interest per US\$1,000 principal amount of debentures; each US\$1,000 principal amount being convertible to May 2, 1984 into 50 common shares, which entitled the holder to US\$34 per share, the same amount received under the tender offer. On May 3, 1984, shareholders of Peoples Drug Stores, Incorporated approved the merger of Peoples with I.L. Holdings, a wholly-owned subsidiary of Imasco. Effective date for the completed acquisition of Peoples Drug Stores was Apr. 1, 1984. Total cash consideration was \$398,387,000. In December, 1984, Peoples Drug Stores Inc. acquired Rea and Derick, Inc. from American Stores Company. The purchase price of the 134 drug store chain was US\$85,000,000, or Cdn\$114,200,000. Also during fiscal 1985, Imasco USA acquired Grisanti, Inc., a chain of Italian restaurants for \$9,273,000.

In August 1985, the company sold 1,000,000 of its 2,010,960 shares of Canadian Northwest Energy Ltd. to TransAlta Resources Corporation for \$25,000,000. The following month, TransAlta acquired the balance of the company's common and preferred share holdings in Northwest for \$32,874,000. In November, 1985, the company sold Tinder Box International Ltd., a 195-store chain of tobacco and gift shops. Terms were not disclosed.

OFFICERS AND DIRECTORS

Officers—P. L. Paré, chm. & chief exec. officer; L. E. Ricard, v-chm.; P. Crawford, pres. & chief oper. officer; R. C. Foster, exec. v-p; W. J. Harris, v-p, admin.; R. R. Schwartz, v-p, corp. devel.; T. J. Wylie, v-p, public affairs; Noël Pérusse, v-p, industry relations; Robert Bégin, v-p & treas.; D. E. Somers, v-p, chief fin. officer & corp. compt.; R. S. Ackman, v-p & gen. counsel; P. K. Ryan, v-p & sec.; Pierre Duhamel, asst. treas.; G. M. Martin, asst. compt.

Directors—P. L. Paré, J. H. Richer, L. E. Ricard, Peter Kilburn, Yves Hudon, R. C. Foster, R. C. Frazee, D. E. Somers, P. Martin, Montreal; J.-L. Mercier, Ste-Julie de Verchères, Que.; H. P. Crawford, M. B. Koffler, D. R. Bloom, Toronto; J. A. Laughery, Rocky Mount, N.C.; S. W. Fantle, Washington, D.C.

PRINCIPAL SUBSIDIARIES AND DIVISIONS

(Wholly owned unless stated otherwise.)

Imperial Tobacco Division

Imperial Tobacco Limited—3810 St. Antoine St. W., Montreal, Que., H4C 1B5. J.-L. Mercier, chm. & chief exec. officer. Incorporated Dec., 1931. Manufactures and distributes cigarettes, fine cut tobaccos, pipe tobaccos, chewing tobaccos and markets snuff.

Imperial Leaf Tobacco Division—John Street North, Aylmer, Ont. N5H 2R8. Purchases and processes leaf tobacco for Imperial Tobacco and for export. A division of Imasco Limited.

General Cigar Company Limited—Montreal. Manufactures and distributes cigars. Wholly owned by Imperial Tobacco Limited.

Imasco USA (Restaurant) Division:

Imasco USA Inc.—1233 North Church St., Rocky Mount, N.C. 27801. J. A. Laughery, chm., pres. and chief exec. officer. Operates and licenses 2,411 fast service restaurants principally in the U.S. and operates manufacturing and distribution facilities. Subsidiaries and divisions are as follows: **Hardee's Food Systems, Inc.**—S. G. Bunn, pres. & chief oper. officer; **Fast Food Merchandisers, Inc.**—Hugh Todd, Jr., pres. & chief oper. officer; **Burger Chef Systems, Inc.**—Indianapolis, Indiana. R. E. Haberkamp, pres. & chief oper. officer; and **Grisanti, Inc.**—Louisville, Kentucky. M. J. Grisanti, pres. & chief oper. officer.

Shoppers Drug Mart Division

Shoppers Drug Mart—255 Yorkland Blvd., Toronto, Ont. M2J 4Y7. D. R. Bloom, pres. & chief exec. officer. A group of 447 licensed and company-owned drug stores operating in Canada and the U.S. under the trade names of Shoppers Drug Mart and Pharmaprix in Quebec, which is operated by **Koffler Stores (Eastern) Inc.** Subsidiaries include **TDM Inc.** (formerly Top Drug Mart)—Toronto; and **Pharmaprix (1980) Inc.**—410, 5800 Cavendish Blvd., Montreal, Que. H4W 2T5.

Peoples Drug Stores Division

Peoples Drug Stores, Incorporated—6315 Bren Mar Drive, Alexandria, Virginia 22312. S. W. Fantle, chm., pres. & chief exec. officer. Operates a chain of 765 drug stores situated in six major U.S. metropolitan markets: Washington, D.C.; Atlanta, Ga.; Indianapolis, Indiana; Tidewater, Va.; and Toledo, Ohio and Harrisburg, Penn. Has subsidiaries, **B. H. Krueger of Fair Lawn, N.J.**, **Hillcrest Sales of Clinton, Md.** and **Rea and Derick, Inc.** of Harrisburg, Penn.

Imasco Resources Division

Imasco Resources—4 Westmount Sq., Montreal, Que. H3Z 2S8. R. C. Foster, pres. Develops and monitors investments in natural resources and in the venture capital field.

Other Operations

The UCS Group (1982) Limited—50 Overlea Blvd., Toronto, Ont., M4H 1B9. Norman Latowsky, pres. Operates a chain of 455 retail tobacco and gift outlets throughout Canada.

Imasco B.V.—Amsterdam, The Netherlands. Matthews Glezios, pres. Engaged in financing of associated businesses.

Other subsidiaries include **The Tuckett Tobacco Company Limited**, **American Tobacco Company of Canada Limited**, **John Player & Sons Ltd.**, **Peter Jackson Tobacco Limited**, **National Tobacco Company Limited** (50% owned), and **Liggett & Myers Tobacco Company of Canada Limited** (50% owned).

CAPITAL STOCK

(As at March 31, 1985)

	Author.	Outstand.
6% Pfc.	1,650,000 sh.	1,191,888 sh.
Pfc.	unlimited	nil
2nd Pfc.	unlimited	nil
Common	120,000,000 sh.	108,898,364 sh.

6% Preference—Entitled to cumulative preferential dividends at the rate of 6% per annum.

May be purchased by the company for cancellation in the market or by private contract at the lowest price at which, in the opinion of the directors, such shares are obtainable.

Voting—Not entitled to vote except on amendment of bylaws, changes in capital, or if dividends on such shares are one month in arrears.

Ranking—The 6% preference shares rank on parity with the first preference shares and prior to the common shares, with respect to the payment of dividends and to the distribution of capital in the event of liquidation, etc.

First Preference—Issuable in series with stated value to be fixed by the Board of Directors. Rank on a parity with the 6% preference shares and all other series of preference shares with respect to the payment of dividends and distribution of capital in the event of liquidation, dissolution or winding-up of the company.

Second Preference—Unlimited authorization. Issuable in series. Rank junior to the 6% preference and preference shares and prior to the common shares with respect to the payment of dividends and the distribution of capital on liquidation, dissolution or winding-up of the company.

Common—Entitled to one vote per share.

PRICE RANGE OF STOCK

6% Preference

Year	High	Low	Year	High	Low
1975	\$3.50	\$3.00	1980	\$3.85	\$2.80
1976	3.35	3.05	1981	3.00	2.00
1977	3.80	3.30	1982	3.15	1.95
1978	4.10	3.50	1983	3.50	2.80
1979	4.00	3.20	1984	3.50	2.75

Common

Year	High	Low	Year	High	Low
1975	\$32.00	\$23.25	1980*	\$34.75	\$21.00
1976	27.88	20.63	1981	42.50	29.50
1977	31.00	24.00	1982*	30.00	18.00
1978	40.00	27.50	1983	38.25	28.50
1979	47.25	37.00	1984	48.75	31.88

*Common stock classified as class A stock from May 7, 1974 to Jan. 1, 1979.

*Following 2-for-1 stock splits, July, 1980 and Nov., 1982.

Series B Preference (Old)

Year	High	Low	Year	High	Low
1981*	\$43.63	\$33.50	1983	\$76.00	\$59.75
1982	61.00	38.50	1984\$	71.75	63.88

*Listed in March. \$To Mar. 30 when delisted.

■ All prices above are for the calendar year.

CHANGES IN CAPITAL STOCK

The authorized capital prior to 1914 was 1,999,995 preference, par value £1 (\$4.86%) and 6,000,000 ordinary shares, par value \$5, of which 1,650,000 preference and 4,900,500 ordinary shares were issued. In 1914, 500,000 ordinary shares were offered in London, England, at 19/- per share.

In September, 1921, the authorized ordinary stock

was increased to 7,800,000 and the following special issues made: 400,000 shares to purchase from the British American Tobacco Co., Ltd., certain trade names, trademarks and brands, and the goodwill attached thereto; 65,580 shares in part payment for 2,100 common and 210 preferred shares of Scales & Roberts, Ltd., and 3,000 common and 200 preferred shares of the H. Fortier Co., Ltd.; 420,000 shares to enable directors and employees to acquire shares in the company.

In 1923, 1924, 1925, 1926 and 1927 new issues were made for the conversion of the 7 1/2 per cent bonds into ordinary stock; 41,360 in 1923; 12,420 in 1924; 115,460 in 1925; 42,740 in 1926; and 1,087,100 in 1927.

In August, 1928, the authorized number of shares was increased to 10,800,000, and in October an issue of these shares was made and distributed as a bonus to shareholders at the rate of 1 share for each 5 shares held. Fractional shares were not distributed, the fractions being retained by the company to be sold, and the proceeds divided pro rata to the shareholders entitled to them.

In May, 1930, 348,840 shares were issued in exchange for 11,628 common shares of The Tuckett Tobacco Company Limited.

In 1947, the company cancelled the 349,995 authorized but unissued 6% cumulative preference shares of \$4.86% par value and increased authorized capital by creation of 600,000 new redeemable sinking fund preference shares of \$25 par value, of which 400,000 shares, having an aggregate par value of \$10,000,000 were subsequently issued.

As of Mar. 4, 1949, 180,000 ordinary shs. were issued re acquisition of Imperial Tobacco Company (Newfoundland) Limited.

Under an agreement dated Feb. 8, 1950, 7,500 ordinary shares were issued to British-American Tobacco Company Ltd. (See under "History", page 3.)

During 1950 39,500 common shares were issued as consideration for certain trading rights, trademarks, etc., including 7,500 shares issued under the Feb. 8, 1950, agreement.

During 1951, 12,913, in 1952, 41,367, in 1953, 41,220 and in 1954, 16,945 4% preference shares were redeemed and cancelled, leaving 287,555 shares outstanding at Dec. 31, 1954.

All 4% preference shares outstanding at Dec. 31, 1954, were called for redemption on Mar. 1, 1955. Authorized capital was reduced by cancellation of all issued 4% preference shares (\$10,000,000); but 200,000 authorized but unissued preference shares were not affected.

On Apr. 16, 1962, shareholders approved a change in the common shares from \$5 par to no par value.

By S.L.P. dated Feb. 12, 1963, the company was granted the right to purchase the 6% cumulative preference shares for cancellation.

Subsequent purchase and cancellation of 6% preference shares has been as follows: 167,441 shares in 1963, 49,781 shares in 1964, 42,405 shares in 1965, 51,038 shares in 1966, 111,942 shares in 1967, 29,398 shares in 1968, and 6,107 shares in 1969, bringing outstanding capital to 1,191,888 6% preference shares and 9,670,532 common shares at Dec. 31, 1973.

By S.L.P. dated May 7, 1974, the common shares were reclassified into class A convertible common shares of no par value and an equal number of new class B convertible common shares of no par value were created. The 200,000 authorized but unissued \$25 par redeemable sinking fund preference shares were cancelled.

By Certificate of Continuance issued Aug. 6, 1976, the company continued under the Canada Business Corporations Act. Thus the authorized class A and B common shares became unlimited in number.

From fiscal 1974 to fiscal 1978, various interconversions between class A and B shares took place, resulting in 1,191,888 6% preference, 9,412,501 class A and 258,031 class B shares outstanding at March 31, 1978.

By Articles of Amendment Feb. 17, 1978, the com-

pany created an unlimited number of authorized preference shares, issuable in series. On Apr. 13, 1978, 705,377 series A preference shares with a \$35 stated value were authorized. Subsequently 704,976 series A preference shares were issued as part payment for the shares of Koffler Stores Limited.

On July 5, 1978, the shareholders of the company approved reclassification of the A and B common shares into one class of common shares. The change became effective Jan. 1, 1979.

During fiscal 1979, 371,184 series A preference shares were converted into a like number of new common shares.

All remaining series A preference shares were called for redemption July 19, 1979 at \$35 per share plus accrued dividends.

Prior to redemption, 309,821 series A preference shares were converted into an equal number of common shares, and during fiscal 1980, 8,830 common shares were purchased for cancellation and 8,830 new common shares were issued to employees at \$45 per share.

On July 30, 1980, the authorized and issued common shares were subdivided on a 2-for-1 basis. Also during fiscal 1981, 2,825,000 series B preference shares were issued at \$37 per share and 17,850 common shares were issued to certain employees at \$31.88 per share.

On Nov. 23, 1982, the common shares were split on a 2-for-1 basis. Also during fiscal 1983, 4,000,000 common shares were issued at \$28.50 per share; 78,429 common shares were issued as stock dividends at an average stated value of \$24.76 per share; 24,915 common shares were issued to certain employees at a price of \$36.13 per share; 109,973 common shares were purchased for cancellation at an average cost of \$27.19 per share; and 27,610 series B preference shares were converted into 55,220 common shares. Capital stock outstanding at Mar. 31, 1983 consisted of 1,191,888 6% preference shares, 2,797,390 series B preference shares and 45,454,739 common shares.

During fiscal 1984, 72,222 common shares were issued as stock dividends, 27,427 common shares were issued to employees at \$34 per share, 92,920 common shares were purchased for cancellation and 2,796,440 series B preference shares were converted into 5,592,880 common shares. The remaining 950 series B preference shares outstanding as at Mar. 30, 1984 were redeemed by the company on that date at \$38.85 per share. As a result, capital stock outstanding at Mar. 31, 1984 comprised 1,191,888 6% preference and 51,054,348 common shares.

By Articles of Amendment dated July 6, 1984, the company redesignated the existing authorized preference shares as first preference shares, created an unlimited number of second preference shares, issuable in series, and decreased the authorized common shares from an unlimited number to 57,500,000.

In December, 1984, the company issued 3,400,000 common shares to Batus Investments Inc., an indirectly wholly-owned subsidiary of the company's major shareholder, B.A.T. Industries p.l.c. The issue price was \$46.25 per share. During fiscal 1985, the company also issued 78,767 common shares as stock dividends, 21,945 shares to employees at \$53.62 per share, and purchased for cancellation, 105,878 shares. On Mar. 22, 1985 the common shares were split on a 2-for-1 basis, and the authorized number of common shares was increased to 120,000,000 on a subdivided basis. Capital stock outstanding at Mar. 31, 1985 comprised 1,191,888 6% preference and 108,898,364 common shares.

DIVIDENDS

Stock Dividend Plan—Holders of common and preference shares may elect to receive dividends in the form of newly issued common shares which will be valued at the average of the closing prices of the common shares as reported on The Toronto Stock Exchange for each day during the 10 trading days immediately preceding the payment date of the dividend declared.

Common shares issued as stock dividends will automatically be entitled to subsequent stock dividends on such common shares.

Common and preference shareholders may join the plan at any time by filing an election form with Montreal Trust Company before the record date of any dividend on the respective common and preference shares and participation in the plan can be terminated at any time.

6% Preference—Entitled to 6% (29.2 cents per share) per annum, cumulative, payable semiannually on Mar. and Sept. 30, in Canadian funds. Paid regularly since September 1912, except for semiannual dividend on Mar. 30, 1984 which was paid in the form of stock and was equivalent to 14.6 cents in cash.

During 1934, a resolution of the company providing for the payment of preferred dividends in Canadian currency on the basis of the current rate of exchange of sterling instead of at the fixed rate of \$4.86% to the pound, was declared invalid in the Superior Court at Montreal. An appeal by the company was dismissed by the Court of King's Bench in 1935.

Passing of a bylaw on Mar. 14, 1939, set the par value of the preference shares at \$4.86%, instead of \$1, and dividends were payable in Canadian funds at the fixed rate on \$4.86%.

Common—Dividends are currently being paid at the rate of 84 cents per share per annum established with the quarterly payment of 21 cents per share on Mar. 31, 1986. Previously, rate was 72 cents per share per annum, established with the quarterly payment of 18 cents per share on June 28, 1985 (first following 2-for-1 stock split on Mar. 29, 1985).

Common dividends have been paid since 1912.

Interim dividends paid by the company since 1960 on the common stock were as follows: a rate of 50 cents per share per annum was paid quarterly to Mar. 30, 1962, inclusive; a rate of 60 cents per share per annum was paid from June 29, 1962 to Sept. 30, 1965, inclusive; a rate of 70 cents per share per annum was paid from Dec. 31, 1965 to Dec. 31, 1971, inclusive; a rate of 90 cents per share per annum was paid from Mar. 30, 1972, to Dec. 31, 1973, inclusive; and a rate of \$1.00 per share per annum was paid on Mar. 29, 1974, and June 28, 1974.

Final payments were made for each fiscal year to 1970, inclusive, in addition to the regular rate; these payments were made on Mar. 31 of the following year based on the operating results of the preceding year and were charged to operations in the year in which it was earned in 1968 and prior years and to operations in the year it was paid in 1969 to 1971. In 1971, the company changed its dividend policy and an extra dividend was declared in the year in which it was earned and was paid in January of the following year.

A final payment of 22½ cents for 1961 was paid on Mar. 30, 1962; final payment of 15 cents for 1962 was paid Mar. 30, 1963; final payments of 12½ cents for 1963 and 1964 were paid Mar. 31, 1964 and Mar. 31, 1965, respectively; final payment of 17½ cents for 1965 was made Mar. 31, 1966; final payments of 10 cents for each of the years 1966-69, inclusive, were made Mar. 31, 1967, Mar. 29, 1968, Mar. 31, 1969, and Mar. 31, 1970. On Mar. 31, 1971, a final payment of 20 cents per common share was made for 1970.

Following the reclassification of common shares into class A shares in May, 1974, a rate of \$1 per class A share per annum was paid quarterly from Sept. 30, 1974 to Mar. 31, 1975, inclusive; \$1.20 per share paid quarterly from June 30, 1975 to Mar. 31, 1976, inclusive; and 32½ cents per share paid on June 30 and Sept. 30, 1976. An annual rate of \$1.40 per share was paid quarterly from Dec. 31, 1976 to Sept. 30, 1977, inclusive, an annual rate of \$1.48 per share was paid quarterly from Dec. 30, 1977, to Sept. 29, 1978, inclusive; and a quarterly dividend of 45 cents per share was paid Dec. 29, 1978. Between September, 1974 and December, 1978 dividends on class B shares were paid at an equivalent rate to class A shares but on a tax deferred basis.

Following the reclassification of class A and B into common shares in January, 1979, an initial dividend of 45 cents per share was paid on Mar. 30, 1979. A rate of \$2.00 per share per annum was paid quarterly from

June 29, 1979 to Mar. 31, 1980. A dividend of 60 cents per share was paid June 30, 1980, after which the shares were split on a 2-for-1 basis.

Following the 2-for-1 stock split on June 30, 1981, a rate of \$1.20 per share per annum was paid quarterly from Sept. 30, 1980 to Mar. 31, 1981, inclusive. An annual rate of \$1.40 per share was paid quarterly from June 30, 1981 to Mar. 31, 1982, inclusive. An annual rate of \$1.60 per share was paid from June 30, 1982 to Dec. 31, 1982, inclusive.

Following the 2-for-1 split on Nov. 23, 1982, a quarterly payment of 20 cents per share was made on Mar. 31, 1983. An annual rate of \$1 per share was paid quarterly from June 30, 1983 to Mar. 30, 1984, inclusive. An annual rate of \$1.24 per share was paid quarterly from June 29, 1984 to Dec. 31, 1984. A quarterly dividend of 36 cents per share was paid on Mar. 29, 1985.

Following the 2-for-1 stock split on Mar. 22, 1985, an annual rate of 72 cents per share was paid quarterly from June 28, 1985 to Dec. 31, 1985.

Extra dividends paid have been as follows: 10 cents per share on Jan. 31, 1972; 20 cents per share on Jan. 31, 1973; 30 cents per share on Jan. 31, 1974, and Jan. 31, 1975; 10 cents per share paid on Mar. 31, 1976.

Common dividends for fiscal years prior to 1961 were paid as follows:

Year	Interim		Final		Year	Interim		Final	
	C	%	C	%		C	%	C	%
1912	...	7½	...	...	1942-45	40	15	...	...
1913	...	32½	...	...	1946-48	40	20	...	...
1914	...	30	5	...	1949	47½	12½	...	...
1915	...	25	5	...	1950	50	10	...	...
1916-25	...	30	5	...	1951	40	2½	...	...
1926	...	30	7½	...	1952	40	5	...	...
1927-29	...	30	10	...	1953	40	7½	...	...
1930*	...	43½	20	...	1954	40	10	...	...
1931-35	...	35	17½	...	1955	40	17½	...	...
1936	...	35	22½	...	1956	50	15	...	...
1937-40	...	40	22½	...	1957-60	50	17½	...	...
1941	...	40	17½	...	...	...	...	...	...

*For 15 mos. upon change of year-end from Sept. 30 to Dec. 31.

4% Preference (old)—Was entitled to 4% (\$1.00) per share per annum, cumulative, payable quarterly, Feb., May, Aug. and Nov. 1. Initial dividend of 25 cents per share paid Feb. 2, 1948; 25 cents paid regularly quarterly to and including Feb. 1, 1955. A final payment of 8 cents per share was made upon redemption of the stock on Mar. 1, 1955.

Series A Preference, \$35 stated value (old)—5% (\$1.75 per share) per annum, cumulative, payable quarterly on the last days of Mar., June, Sept. and Dec. An initial dividend of 27.81 cents per share paid June 30, 1978 and regular, quarterly payments of 43.75 cents per share made to June 30, 1979. Subsequently, all shares were called for redemption on July 19, 1979 at \$35 per share plus accrued dividends.

Series B Preference (Old)—Was entitled to fixed cumulative preferential dividends of \$3.06 per share per annum, payable quarterly. Initial dividend of \$1.0525 per share was paid on June 30, 1981; 76½ cents per share was paid regularly quarterly from Sept. 30, 1981 to Mar. 30, 1984, on which date all outstanding shares were redeemed by the company at \$38.85 per share.

TAX-DEFERRED DIVIDENDS

Between September 1975 and December 1978, the company made the following tax-deferred dividend distributions on its common and class B common shares:

Amount	Record	Amount	Record
21¼c	Aug. 30/74	27¼c	Aug. 31/76
21¼c	Nov. 29/74	29¼c	Nov. 30/76
25¼c*	Jan. 3/75	29¼c	Mar. 4/77
21¼c	Mar. 7/75	29¼c	June 15/77
25¼c	June 17/75	29¼c	Aug. 31/77
25¼c	Aug. 29/75	31.45c	Nov. 30/77
25¼c	Nov. 28/75	31.45c	Mar. 3/78
25¼c	Mar. 5/76	31.45c	June 15/78
25¼c*	Mar. 5/76	31.45c	Aug. 31/78
27¼c	June 15/76	38.25c	Nov. 30/78

*Extra.

LONG-TERM DEBT

Long-term debt outstanding at Mar. 31, 1985, totaled \$575,343,000 including \$15,335,000 due in one year, but excluding \$2,718,000 sinking fund debentures held in treasury. Obligations under capital leases at the same date were \$33,091,000 including \$2,547,000 due within one year.

Principal payments and sinking fund provisions required on long-term debt within the next five fiscal years, excluding term loans, were as follows: \$15,335,000 in 1986; \$18,856,000 in 1987; \$17,450,000 in 1988; \$89,519,000 in 1989; and \$11,360,000 in 1990.

8½% Sinking Fund Debentures Series A:

Dated Mar. 15, 1971; due Mar. 15, 1991.

Interest payable semiannually on Mar. and Sept. 15 of each year.

Authorized and issued, \$35,000,000; outstanding at Mar. 31, 1985, \$20,300,000.

Denominations—Coupon debentures in denominations of \$1,000 and \$25,000 registrable as to principal only and in fully registered form in denominations of \$1,000 and multiples.

Trustee—Montreal Trust Co.

Redeemable—At the option of the company at the following percentages of principal amount on or before Mar. 14 of each year:

1972 ..	108.50	1978 ..	105.80	1984 ..	103.10
1973 ..	108.05	1979 ..	105.35	1985 ..	102.65
1974 ..	107.60	1980 ..	104.90	1986 ..	102.20
1975 ..	107.15	1981 ..	104.45	1987 ..	101.75
1976 ..	106.70	1982 ..	104.00	1988 ..	101.30
1977 ..	106.25	1983 ..	103.55	1989 ..	100.85

thereafter at par to maturity, plus accrued interest in each case. The company may not redeem the 8½% debentures prior to Mar. 15, 1986, for refunding purposes at an effective interest rate of less than 8½% per annum.

Sinking Fund—The company will be required to purchase through the trustee \$1,050,000 principal amount, either in the open market or by call at par plus accrued interest, in each of the years 1972 to 1990. Series A debentures surrendered for the sinking fund will be cancelled and not reissued.

Security—Direct obligation of the company but not secured by any property or assets.

Other Provisions—The company will not issue or become liable on any debt ranking ahead of the series A debentures except certain short-term debt incurred in the ordinary course of business and certain other indebtedness which may be secured on subsequently acquired property.

Additional long-term debt may not be issued unless after giving effect of such issuance the consolidated net tangible assets of the company and its subsidiaries are at least two times the aggregate principal amount of long-term debt to be outstanding and that the consolidated net earnings for a recent 12 months period will have been at least three times the amount required to pay the annual interest on all long-term debt to be outstanding.

Purpose of Issue—Net proceeds used to repay bank borrowings and loans of certain subsidiaries and the balance (approximately \$4,939,000) added to the general funds of the company.

Offered—In Feb., 1971, at 100 and accrued interest by Greenshields Inc.

10½% Sinking Fund Debentures Series B:

Dated Aug. 1, 1975; due Aug. 1, 1995.

Interest payable semiannually on Feb. and Aug. 1 of each year.

Authorized and issued, \$30,000,000; outstanding at Mar. 31, 1985, \$21,000,000.

Denominations—Coupon debentures in denominations of \$1,000, \$10,000 and \$25,000 registrable as to principal only and in fully registered form in denominations of \$1,000 and multiples.

Trustee—Montreal Trust Co.

Redeemable—At the option of the company at the following percentages of principal amount on or before July 31 in each year:

1976 ..	110.875	1982 ..	107.275	1988 ..	103.675
1977 ..	110.275	1983 ..	106.675	1989 ..	103.075
1978 ..	109.675	1984 ..	106.075	1990 ..	102.475
1979 ..	109.075	1985 ..	105.475	1991 ..	101.875
1980 ..	108.475	1986 ..	104.875	1992 ..	101.275
1981 ..	107.875	1987 ..	104.275	1993 ..	100.675

thereafter at par to maturity, plus accrued interest in each case. The company may not redeem the 10½% debentures prior to Aug. 1, 1990, for refunding purposes at an effective interest rate of less than 10½% per annum.

Sinking Fund—Sufficient to retire \$900,000 principal amount in each of the years 1976 to 1994, inclusive. In addition, the company will have the non-cumulative right to make optional sinking fund payments sufficient to retire up to \$300,000 principal amount in each of the years 1976 to 1994, inclusive. Redeemable at par for sinking fund purposes.

Security—A direct obligation of the company ranking equally with all series of debentures (except as to sinking funds) but not secured by any property or assets.

Other Provisions—Same as for series A debentures.

Purpose of Issue—Net proceeds used to reduce bank and other short term loans incurred primarily to finance increased inventories.

Offered—In July, 1975, at 100 and accrued interest, if any, by a group headed by Greenshields Inc.

10¼% Sinking Fund Debentures Series C:

Dated Oct. 22, 1975; due Oct. 1, 1990.

Authorized and issued US\$20,000,000; outstanding at Mar. 31, 1985, Cdn\$15,690,000. Payable in U.S. funds.

Offered—Placed privately in October, 1975, by Greenshields Inc.

9% Sinking Fund Debentures:

Due July 2, 1992; outstanding at Mar. 31, 1985, \$5,186,000.

15½% Debentures:

Dated Jan. 15, 1982; due Jan. 15, 1989.

Principal, annual interest (Jan. 15) and redemption premium, if any, are payable in U.S. funds at the principal office of the company's bankers in New York City, or at the option of the holder at specified offices of designated paying agents abroad. Payments of principal and interest will be made without deduction of Canadian taxes or other charges.

Authorized and issued, US\$50,000,000; outstanding at Mar. 31, 1985, Cdn\$68,180,000.

Denominations—Issued in bearer form only in denominations of US\$1,000 and US\$5,000.

Trustee—Montreal Trust Co.

Redemption—Not redeemable prior to Jan. 15, 1987. However, should the company be required to make additional payments as a result of changes in federal or provincial tax laws, the company will have the right at any time to redeem all, but not part, of the debentures, at par, giving not less than 30 days' notice. Subject to the foregoing, redeemable in whole or in part at the option of the company on or after Jan. 15, 1987, on not less than 30 days' notice at 101% of the principal amount if redeemed during the 12 months ending Jan. 14, 1988; and thereafter at par plus accrued interest in each case to the date of redemption.

The company may at any time purchase the debentures in open market at any price, or by tender or private contract at 115% of the principal amount.

Prescription—The debentures and coupons will become void unless presented for payment within a period of ten years of their respective due dates.

Restrictive Covenants—Certain restrictions are placed on the security the company provides for on additional debt incurred; on the sale of assets; and on amalgamations.

Purpose of Issue—Net proceeds used to repay indebtedness of the company.

Offered—On Dec. 9, 1981 at 99.5, less accrued interest to Jan. 15, 1982, by an international syndicate managed by Wood Gundy Ltd.

Notes—Outstanding at Mar. 31, 1985, \$66,816,000 in notes payable consisting of \$54,544,000 in 10% notes payable in ten annual instalments beginning in 1985; and \$12,272,000 in 9¼% notes payable in 11 annual instalments beginning in 1983. Notes are all or partly payable in U.S. funds.

Term Loans—At Mar. 31, 1985, term loans outstanding totaled \$325,991,000 and consisted of long-term unsecured promissory notes due within one year, supported by non-cancellable bank term credit facilities of \$436,352,000, and bearing interest at an average rate of 9.2%. The loans are payable in U.S. funds.

Other—Other long-term obligations at Mar. 31, 1985, totaled \$54,898,000.

Capital Lease Obligations—At Mar. 31, 1985, obligations of \$33,091,000, including \$2,547,000 due within one year, was the present value of total minimum lease payments of \$59,678,000, payable in fiscal years approximately as follows: \$7,332,000 in 1986; \$7,180,000 in 1987; \$6,873,000 in 1988; \$6,643,000 in 1989; \$6,299,000 in 1990; and \$25,351,000 thereafter.

INTERIM REPORT

For the nine months ended Dec. 31, 1985, net income increased 15% to \$210,365,000 or \$1.93 per share from \$182,917,000 or \$1.78 per share in the corresponding period of 1984. Revenues rose 23% to \$4,042,598,000 from \$3,285,645,000. The tobacco division reported a 12% gain in operating earnings (before corporate expenses, interest expenses and income taxes) to \$188,605,000 from \$168,968,000, while revenues from tobacco increased 23% to \$1,356,828,000 from \$1,106,121,000. Operating earnings were 10% higher for the restaurant division at \$101,576,000, compared with \$92,751,000, on a 13% improvement in revenues to \$1,163,302,000 from \$1,027,584,000. Earnings by Shoppers Drug Mart rose 14% to \$33,826,000, compared with \$29,611,000, on a 14% increase in revenues to \$58,052,000 from \$50,785,000. Peoples Drug Stores reported a 6% decline in operating earnings to \$41,928,000 from \$44,732,000 in the year-earlier period, despite a 39% gain in revenues to \$1,353,180,000 from \$975,159,000. Other operations reported 35% higher earnings of \$8,387,000 despite a 7% decline in revenue to \$148,491,000.

Management stated that third quarter results were below expectations, primarily due to Peoples Drug Stores, which, in addition to contending with the difficult competitive environment which characterized the U.S. retail drug store sector in 1985, suffered severe problems in converting its Mid-Atlantic division to a new warehouse and distribution system. According to management, these problems are being resolved, but would continue to have a negative impact on results for the balance of the fiscal year.

INTERIM EARNINGS

Fiscal Year	Total Revenue	Net Inc. Oper.	Earns. per Com. Sh.*	Total Revenue	Net Inc. Oper.	Earns. per Com. Sh.*	Total Revenue	Net Inc. Oper.	Earns. per Com. Sh.*
	3 months			6 months			9 months		
	\$000's		\$	\$000's		\$	\$000's		\$
1979 ..	282,028	11,889	0.15	575,017	25,933	0.33	881,149	42,070	0.53
1980 ..	289,506	15,941	0.20	574,349	31,400	0.38	890,890	51,055	0.62
1981 ..	308,862	17,982	0.22	627,768	36,384	0.44	1,007,788	64,835	0.78
1982 ..	520,147	29,598	0.33	1,073,260	60,961	0.69	1,666,472	98,701	1.39
1983 ..	671,237	35,894	0.41	1,375,182	78,180	0.89	2,075,219	126,642	1.44
1984 ..	704,737	44,047	0.46	1,481,958	96,780	1.02	2,216,197	154,736	1.63
1985 ..	1,016,494	51,941	0.51	2,063,696	113,923	1.12	3,285,645	182,917	1.78
1986 ..	1,246,206	62,118	0.57	2,584,077	134,471	1.23	4,042,598	210,365	1.93

*Designated as class A prior to reclassification in January, 1979; adjusted throughout for 2-for-1 stock splits on Mar. 22, 1985, Nov. 23, 1982 and July 30, 1980.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Years Ended March 31

	1985	1984
	\$000's	
Operating activities:		
Earnings before extra.	234,108	194,172
Non-working capital items	125,376	70,040
Working capital, oper.	359,484	264,212
Incr. non-cash working capital	(236,462)	(39,060)
Deferred charges	(9,375)	(1,290)
Unrealized for. exch. gains	(6,058)	(2,418)
Total cash from oper.	107,589	221,444
Financing activities:		
Iss. common shares	157,250	.....
Iss. l.-t. debt	93,092	271,974
L.-t. debt retired	(50,915)	(28,730)
Dividends paid	(67,421)	(54,127)
Capital lease payments	(3,580)	(2,504)
Net treasury shares issued	(287)	218
Preferred shs. redeem. ....	.....	(35)
Total cash, financing	128,139	186,796
Investing activities:		
Business acquired	(173,735)	(363,202)
Extra.—sale of bus. ....	.....	110,755
Additions to fixed assets	(202,078)	(104,074)
Disposal of fixed assets	28,350	13,395
Disposal of investments & rec.	28,824	11,649
Incr., investments & rec.	(13,033)	(24,882)
Total cash, invest.	(331,672)	(356,359)
Incr. (decr.) cash	(95,944)	51,881

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	Years ended March 31						
	1985	1984	1983	1982	1981	1980	1979
	\$000's						
Revenues	4,353,254	2,873,151	2,713,901	2,190,756	1,423,707	1,150,538	1,161,526
Less: Sales & excise tax	727,281	667,820	592,435	530,186	458,243	396,934	363,180
Mfg. & gen. expenses	3,099,546	1,804,884	1,766,680	1,373,233	792,564	619,957	677,865
Add: Other invest. inc., net	463	2,479	3,148	4,466	4,280	579	497
Net before deprec., etc.	526,890	402,296	357,934	291,803	177,180	134,226	120,978
Less: Deprec. & amort.	111,703	76,879	67,618	51,248	22,991	13,178	11,984
L-term debt interest	32,680	26,296	27,850	18,522	11,187	9,481	9,760
Other interest exp. (net)	17,083	\$2,735	17,102	21,544	11,221	4,406	2,076
Income taxes	131,316	108,314	88,601	76,313	51,521	43,125	40,455
Minority interest						362	703
Add: Equity income					9,290	4,554	407
Net income, operations	234,108	194,172	156,763	124,176	89,550	68,228	56,407
Add: Extraordinary items		10,908	4,831	4,663			1,314
Net income	234,108	205,080	161,594	119,513	89,550	68,228	57,721
Add: Previous ret. earns.	677,815	526,862	411,357	329,835	266,317	219,147	178,723
Less: 6% Pfce. dividends	348	348	348	348	348	348	348
Series A pfce. divds.						70	933
Series B pfce. divds.		7,884	8,622	8,658	840		
Common divds.	67,073	45,895	33,930	28,985	24,844	20,640	16,007
Share issue exp.			3,189				
Tax-pd. undistrib. surp.							9
Retained earnings	844,502	677,815	526,862	411,357	329,835	266,317	219,147

Credit.

► In fiscal 1984, consists of net gain on disposal of business units; in fiscal 1983, comprises gain on sale of investment of \$10,769,000 (net of tax of \$3,681,000) less provision for cost of special voluntary early retirement program of \$5,938,000 (net of tax of \$4,062,000); in fiscal 1982, the extraordinary loss of \$4,663,000 arose from the exchange of Pop Shoppes International Inc. preference shares for \$250,000 cash and a \$1,000,000 five year promissory note; and in 1979, \$3,866,000 gain on sale of operating units less \$2,552,000 write-down of investment.

Remuneration—Of senior officers and directors in recent fiscal years has been as follows: \$5,509,000 in 1984; \$3,789,000 in 1983; \$3,218,000 in 1982; \$2,806,000 in 1981; \$3,235,000 in 1980; and \$2,615,000 in 1979.

Times All Interest Earned:

Before depreciation	10.59	17.10	7.96	7.28	7.91	9.67	10.22
After depreciation	8.34	13.84	6.46	6.00	6.88	8.72	9.21

Earnings per Share:

Based on net income operations							
Pref.: Times earned	1672.72	123.59	117.48	113.79	175.38	1163.22	144.03
Common:	\$2.25	\$2.03	\$1.74	\$1.34	\$1.07	\$0.83	\$0.72
Fully diluted	2.25	1.90	1.62	1.27	1.07	0.82	0.70
Based on net income							
Pref.: Times earned	1672.72	124.91	118.01	113.27	175.38	1163.22	145.06
Common:	\$2.25	\$2.15	\$1.79	\$1.39	\$1.07	\$0.83	\$0.71
Fully diluted	2.25	2.01	1.67	1.32	1.07	0.82	0.68

▼ Classified as class A and B shares prior to Jan. 1, 1979; adjusted throughout for 2-for-1 stock splits, Mar. 22, 1985, Nov. 23, 1982 and July 30, 1980.

Dividend Record:

6% Preference	\$0.292	\$0.146+	\$0.292	\$0.292	\$0.292	\$0.292	\$0.292
		●stk.					
Series A preference						†0.5285	▲1.5906
Series B preference		3.06	3.06	▲3.3625			
Common□	1.29	1.00	0.20				
Common■			1.20	1.40	0.90		
Common†					0.60	2.00	0.45
Class A							1.19
Class B							1.0115

► Tax-deferred. ▲ Including initial. † To redemption July 19, 1979.

□ Classified as class A and B prior to Jan., 1979. ■ Following 2-for-1 stock split; Nov. 23, 1982.

■ Following 2-for-1 stock split in July, 1980. ● Equivalent to 14.6 cents per share.

CONSOLIDATED BALANCE SHEET AS AT MARCH 31

	1985	1984	1983	1982	1981	1980	1979
	\$000's						
Assets							
Current:							
Cash & term deposits	270,741	224,321	134,472	36,799	44,331	16,446	12,532
Accounts & notes rec.	282,750	143,756	116,226	110,513	96,178	59,193	89,003
Inventories:							
Imperial Tobacco	443,769	447,770	404,937	356,455	296,390	260,960	228,835
Restaurants	51,969	47,190	41,893	34,252	26,730		
Imasco Foods			23,231	16,599	15,924	12,690	10,948
Drug stores	375,740	2,200					
Retail & Other	38,226	37,101	66,898	54,220	51,129	52,626	42,432
Prepaid expenses	16,603	15,025	14,363	13,170	6,547	3,677	2,653
	1,479,798	917,363	802,020	622,008	537,229	405,592	386,403
Deferred charges	48,301	21,740	22,626	26,913	16,744	10,547	8,186
Invest., Peoples Drug Store		363,202					
Invests. assoc. cos.					11,206	52,723	53,139
Other invests. & receivables	96,087	107,213	88,079	92,242	62,403	53,002	25,967
Fixed:							
Land	90,257	64,815	59,488	58,212	36,576	2,670	3,050
Bldgs. & equip.	797,283	546,322	545,682	480,532	390,105	179,353	153,732
Leasehold improv.	314,214	195,258	176,481	149,231	103,983	30,748	23,198
Capital leases	41,610	37,765	37,078	37,926	36,661		
Less: Accum. deprec.	375,746	292,115	277,516	230,925	189,833	95,816	86,154
	867,618	552,045	541,213	494,976	377,492	116,955	93,826
Goodwill	249,768	68,334	76,125	78,978	81,289	38,438	39,556
	2,741,572	2,029,897	1,530,063	1,315,117	1,086,363	677,257	607,077
Liabilities							
Current:							
Bank indebtedness	334,932	192,568	154,600	153,911	178,536	117,944	92,925
Accts. pay. & accr. liab.	368,239	224,779	176,038	160,010	114,522	59,290	67,739
Income & other taxes	50,541	69,546	60,456	43,489	45,189	37,540	28,922
L.-t. debt & cap. leases due	17,882	10,884	16,169	9,907	26,633	2,703	2,930
	771,594	497,777	407,263	367,317	364,880	217,477	192,516
Minority interest						553	891
Deferred income taxes	53,645	35,077	43,790	42,917	23,737	18,001	15,729
Long-term debt:							
15½% debentures	68,180	63,805	61,855	61,355			
8½% s.f. debentures	20,300	21,350	22,400	23,450	24,500	25,550	24,478
10% s.f. debentures	21,000	21,900	22,800	23,100	24,300	25,500	26,700
10¼% s.f. debentures	15,690	17,865	19,793	22,088	23,688	23,924	23,188
9% s.f. debentures	5,186	5,186	6,090	6,176	6,873	6,876	7,683
7% notes					17,766	17,943	17,391
10% notes	54,544	51,044	49,485	49,084	47,376		
9¼% notes	12,272	12,761	13,608	13,498	13,028		
9% notes			2,876	3,559	4,116		
Term loans	325,991	267,119	1,258	56,483			
Other l.-t. debt	54,898	32,636	42,585	30,162	19,140	2,141	3,457
Less: Due in one year	15,335	8,650	14,073	7,703	25,073	2,703	2,930
S.f. debts. held treasury	2,718	4,546	3,324	2,840	1,778	2,310	
	560,008	480,470	225,353	278,412	153,936	96,921	99,967
Long-term cap. leases	30,544	28,552	30,496	32,601	31,462		
Shareholders' Equity							
Capital stock:							
6% preference	5,800	5,800	5,800	5,800	5,800	5,800	5,800
Series A preference							11,683
Series B preference			103,504	104,525	104,525		
Common	447,645	290,682	186,995	72,188	72,188	72,188	61,344
Unreal. foreign exch. gain	27,834	13,724					
Retained earnings	844,502	677,815	526,862	411,357	329,835	266,317	219,147
	2,741,572	2,029,897	1,530,063	1,315,117	1,086,363	677,257	607,077

▼Valued at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis for restaurant and food inventories; by retail inventory method for retail and drug store inventories; and at average cost for Imperial Tobacco inventories.

Long-term Leases—Minimum annual net rental commitments under long-term real estate operating leases, with terms of from three to 20 years, in effect at Mar. 31, 1985, were as follows: \$57,891,000 in 1986; \$55,210,000 in 1987; \$49,916,000 in 1988; \$45,123,000 in 1989; and \$40,704,000 in 1990. The figures as listed do not give effect to escalation and percentage-of-sales clauses. Net rentals, including escalation and percentage-of-sales payments, totaled \$77,302,000 in fiscal 1985. In addition, the company has operating lease commitments for equipment, with terms up to six years, with an annual rental of approximately \$19,400,000.

Contingent Liability—The company has provided guarantees to various banks in respect of borrowings by retail franchisees, associates and licensees. At Mar. 31, 1985, these guarantees totaled \$41,834,000, of which outstanding indebtedness of the franchisees was \$24,441,000.

	WORKING CAPITAL AS AT MARCH 31						
	1985	1984	1983	1982	1981	1980	1979
	\$000's						
Current assets	1,479,798	917,363	802,020	622,008	537,229	405,592	386,403
Current liabilities	771,594	497,777	407,263	367,317	364,880	217,477	192,516
Working capital	708,204	419,586	394,757	254,691	172,349	188,115	193,887
Ratio	1.92—1	1.84—1	1.97—1	1.69—1	1.47—1	1.86—1	2.01—1
Equities:							
Net worth† (\$000's)	1,325,781	988,021	823,161	593,870	512,348	344,305	297,974
Debentures, per \$1,000	\$11,170	\$8,594	\$7,192	\$5,361	\$7,456	\$5,207	\$4,632
6% Preference	1,112.34	828.95	36.65	26.20	22.60	288.90	82.95
Series A Preference	.....	.....	.....	.....	.....	.....	596.53
Series B Preference	.....	.....	278.64	199.17	171.83	.....	.....
Common	12.12	9.62	7.85	5.84	4.86	4.09	3.49

†Available for capital stock; based on shareholders' equity. Debentures taken in at par for calculation of their equity. Preference stock deducted at stated value before calculating equity per common share.

►Classified as class A and B shares prior to Jan. 1, 1979; adjusted throughout for 2-for-1 stock splits; Mar. 22, 1985, Nov. 23, 1982 and July 30, 1980.

Shares Outstanding:

6% Pref.	1,191,888	1,191,888	1,191,888	1,191,888	1,191,888	1,191,888	1,191,888
Ser. A pref.	.....	.....	.....	.....	.....	.....	333,792
Ser. B pref.	.....	2,797,390	2,825,000	2,825,000	.....	.....	.....
Com.*	108,898,364	51,054,348	45,454,739	20,703,074	20,703,074	10,351,537	10,041,716

*Classified as class A and B from May 7, 1974 to Jan. 1, 1979.

■ Following 2-for-1 stock split in July, 1980. □ Following 2-for-1 stock split in November, 1982.

● Following 2-for-1 stock split in March, 1985.

HISTORICAL SUMMARY (As originally stated in company's annual reports for the respective years)

Fiscal Year	Total Assets	Shldrs.' Equity	Net Fixed Assets	L-Term Debt	Total Revenue	Net Inc. Oper.	Earns. per Com. Sh.	Price Range	High	Low
			\$000's				\$	\$		\$
1922 ..	56,401	44,926	4,535	6,500		3,631	0.51			
1923 ..	56,867	45,722	4,439	6,293		3,271	0.44			
1924 ..	57,956	46,741	4,496	6,231		3,602	0.50			
1925 ..	58,758	47,916	4,570	5,654		3,313	0.44			
1926 ..	59,812	49,057	4,589	5,440		3,673	0.50			
1927 ..	61,244	55,702	4,739	.....		4,372	0.50	11.00		6.75
1928 ..	63,184	57,061	5,015	.....		4,875	0.58	11.63		8.50
1929 ..	65,668	58,806	5,242	.....		5,862	0.59	11.50		9.00
1930 ..	71,382	63,110	5,873	.....		8,154	0.80	10.75		9.00
1931 ..	70,020	63,150	6,023	.....		5,914	0.58	10.50		8.88
1932 ..	69,070	63,262	4,250	.....		5,471	0.54	9.88		6.25
1933 ..	69,502	63,525	4,283	.....		5,713	0.55	11.33		7.00
1934 ..	70,383	63,887	4,448	.....		5,820	0.56	13.50		10.13
1935 ..	70,913	64,230	4,623	.....		5,844	0.57	14.25		12.00
1936 ..	71,891	64,659	4,806	.....		6,058	0.59	14.50		13.25
1937 ..	72,549	61,672	5,058	.....		6,489	0.64	15.50		12.00
1938 ..	73,352	61,728	5,298	.....		6,462	0.63	15.88		13.25
1939 ..	73,595	61,839	5,593	.....		6,500	0.64	17.00		12.63
1940 ..	74,956	61,658	5,795	.....		6,203	0.61	16.50		12.00
1941 ..	76,353	61,236	5,916	.....		5,968	0.58	14.00		11.00
1942 ..	81,849	61,337	6,086	.....		5,797	0.56	12.50		9.25
1943 ..	89,264	61,623	6,184	10,000		5,722	0.58	8.00		6.25
1944 ..	91,704	59,756	6,332	10,000		5,750	0.58	7.75		6.00
1945 ..	92,797	60,222	6,414	10,000		5,782	0.60	8.00		7.00
1946 ..	97,136	58,888	6,426	15,000		6,266	0.61	8.75		7.50
1947 ..	107,010	68,660	8,519	15,000		5,991	0.58	8.50		6.63
1948 ..	111,456	68,467	10,551	15,000		7,193	0.67	7.75		6.50
1949 ..	116,332	68,755	11,287	15,000		6,865	0.62	7.88		6.50
1950 ..	124,971	67,695	11,769	25,000		6,994	0.63	7.50		6.00
1951 ..	123,121	73,869	11,140	25,000		5,414	0.47	7.13		5.63
1952 ..	156,526	78,857	27,373	25,000		6,880	0.62	7.00		5.25
1953 ..	157,652	79,621	27,623	25,000		7,533	0.70	6.50		5.50
1954 ..	163,147	80,780	28,602	23,893		7,885	0.74	7.50		6.00
1955 ..	176,151	75,191	29,492	21,563		8,790	0.85	7.75		6.88
1956 ..	195,011	77,294	32,656	18,890		10,470	1.03	7.25		5.75
1957 ..	173,740	82,639	39,160	16,917		10,954	1.08	6.50		4.75
1958 ..	184,568	83,795	46,927	15,877		10,665	1.05	14.50		12.38
1959 ..	194,699	87,397	54,105	14,756		11,111	1.10	14.50		11.50
1960 ..	200,177	91,125	57,728	13,496	342,775	10,738	1.06	13.75		11.13
1961 ..	160,247	118,058	41,649	12,328	359,105	13,857	1.38	18.13		12.75
1962 ..	167,191	125,842	42,039	10,687	373,392	13,361	1.33	17.50		12.50
1963 ..	169,214	130,836	44,279	9,282	355,065	12,014	1.20	16.00		13.00
1964 ..	175,173	136,535	43,630	7,735	351,456	11,506	1.15	15.00		12.13
1965 ..	179,891	129,643	44,057	4,051	366,262	13,331	1.34	16.25		13.63
1966 ..	181,005	133,366	46,062	2,261	372,918	12,725	1.28	15.75		12.88
1967 ..	188,677	137,929	47,993	2,261	393,315	12,741	1.28	15.25		12.38
1968 ..	193,073	139,746	45,141	2,261	416,803	12,382	1.24	17.75		12.63
1969 ..	234,136	120,221	47,056	36,956	512,987	13,363	1.35	15.13		11.25
1970 ..	243,151	127,031	53,508	34,476	582,163	15,691	1.59	16.13		12.00
1971 ..	243,229	131,556	56,087	37,349	569,629	17,661	1.79	20.50		15.25
1972 ..	263,528	131,212	61,748	36,667	625,613	22,162	2.26	28.38		19.00
1973 ..	293,880	141,346	66,843	35,005	717,102	28,036	2.86	34.75		25.75
1974 ..	364,696	163,356	71,712	31,882	1,030,293	36,778	3.76	33.25		18.75
1975 ..	383,750	186,055	75,816	79,768	941,223	36,516	3.74	32.00		25.00
1976 ..	455,278	206,411	74,973	95,920	1,031,642	34,921	3.58	27.25		20.63
1977 ..	478,821	232,876	70,221	95,511	1,049,421	43,078	4.42	31.63		24.00
1978 ..	607,077	297,974	93,826	99,967	1,161,526	56,407	5.64	40.75		29.75
1979 ..	677,257	344,305	116,955	96,921	1,150,538	68,228	6.61	47.25		38.25
1980 ..	1,086,363	512,348	377,492	212,031	1,423,707	89,550	*4.27	*38.25		*21.25
1981 ..	1,315,117	593,870	494,976	321,556	2,190,756	124,176	5.56	44.50		29.50
1982 ..	1,530,063	823,161	541,213	273,246	2,713,901	156,763	*3.47	*37.50		*18.00
1983 ..	2,029,897	988,021	552,045	519,906	2,873,151	194,172	4.05	36.25		29.88
1984 ..	2,741,572	1,325,781	667,618	608,434	4,353,254	234,108	*2.25	*28.25		*17.38

*15-month period due to change in fiscal year-end to Dec. 31 in 1930 and Mar. 31, in 1975.

□ Calendar year to 1973; fiscal year in 1975 and subsequently.

*Following 2-for-1 stock splits in July, 1980; November, 1982 and March, 1985.

(This information is obtained from sources we believe to be reliable, but is not guaranteed)

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